

Message Text

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12
ORIGIN NEA-10

INFO OCT-01 ISO-00 XMB-02 TRSE-00 EB-07 OMB-01 PM-04

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DRAFTED BY NEA/IRN:RWBEALES:EXIM:CHAMMOND:AMF

APPROVED BY NEA/IRN:CWNAAS

EXIM:CNORRIS (SUBS)

EXIM:DOBEIM (SUBS)

TREAS: JGORLIN

EB:FTHOMAS

EB/IFD/OSB:RBUCK

----- 088967

R 190532Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EFIN, USIRJC, IR

SUBJECT: USIRJC: GOI REQUEST FOR EXPANDED CREDIT FACILITIES
FROM U.S.

REF: TEHRAN 8849

1. EXIM HAS PROVIDED THE FOLLOWING STATEMENT REGARDING ITS POLICY ON FINANCING FOR IRANIAN PROJECTS.
 2. "EXIM CONSIDERED AND DENIED ON AUGUST 18 A REQUEST BY IRAN AIR FOR FINANCING APPROXIMATELY HALF THE 184 MILLION DOLLAR PURCHASE PRICE FOR FIVE BOEING 747'S. THE REASONS FOR THIS DENIAL WERE THAT PURCHASE CONTRACTS BETWEEN IRAN AIR AND BOEING HAD BEEN SIGNED IN 1974 AND 1975 WITH NO
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MENTION OF FINANCING BEING NEEDED, TWO OF THE FIVE AIRCRAFT

ALREADY HAD BEEN DELIVERED, AND PAYMENTS OF 104 MILLION DOLLARS HAD ALREADY BEEN MADE TO BOEING. GENERALLY, IT IS EXIM PRACTICE NOT TO UNDERTAKE FINANCING FOR TRANSACTIONS WHERE CONTRACTS HAVE BEEN SIGNED AND SOME PAYMENTS MADE. MOREOVER, IT IS BECOMING INCREASINGLY DIFFICULT TO JUSTIFY EXIM FINANCING FOR 747S. THESE POINTS WERE EXPLAINED IN

DETAIL TO DEPUTY MINISTER OF ECONOMY AND FINANCE ASHRAFI BY EXIM OFFICIALS MORAN AND HAMMOND WHEN THEY CALLED ON ASHRAFI IN MARCH. EXPLANATION WAS GIVEN IN RESPONSE TO INQUIRY BY ASHRAFI AS TO WHETHER EXIM COULD PROVIDE FINANCING FOR THE 747S.

EXIM POLICY TOWARD FINANCING PROJECTS IN IRAN CAN BEST BE ANSWERED BY CITING THE TERMS OF SEVERAL PRELIMINARY COMMITMENTS RECENTLY APPROVED. THE THREE LATEST ONES INVOLVED A FINANCING PACKAGE AS FOLLOWS: MINIMUM CASH PAYMENT OF 15 PERCENT; PRIVATE SOURCE FINANCING FOR THE EARLY MATURITIES, I.E., NO EXIMBANK DIRECT CREDIT; AND AN EXIM BANK GUARANTEE FOR THE LATER MATURITIES OF THE PRIVATE SOURCE CREDIT. THE EXIMBANK GUARANTEE VARIED FROM 33 PERCENT TO 62 PERCENT OF THE TOTAL U.S. EXPORT VALUE.

THIS DOES NOT MEAN THAT THERE IS A FIXED EXIMBANK FINANCING PATTERN FOR IRANIAN PROJECTS. RATHER, EACH REQUEST IS EXAMINED WITH A VIEW TO DETERMINING THE NEED FOR EXIMBANK FINANCING WITH THE ASSUMPTION THAT PRIVATE SOURCE FUNDS ARE AVAILABLE FOR MOST IRANIAN PROJECTS FOR TERMS OF UP TO SEVEN YEARS. CONSEQUENTLY, IN MOST CASES, EXIMBANK FINANCING WOULD TAKE THE FORM OF A GUARANTEE FOR MATURITIES BEYOND 7 YEARS.

THE ABOVE APPLIES TO PROJECT CREDITS. EXIMBANK ALSO PROVIDES COVER FOR SUPPLIER CREDITS UNDER THE FCIA INSURANCE AND BANK GUARANTEE PROGRAMS. FOR THESE, IRAN IS LISTED IN THE TOP CREDIT CATEGORY SO THE LOWEST INSURANCE PREMIUM AND BANK GUARANTEE CHARGE APPLY. THERE HAS BEEN INCREASED USE OF THESE FACILITIES. AS OF JUNE 30, 1976, EXIM EXPOSURE FOR INSURANCE AND MEDIUM TERM BANK GUARANTEE TRANSACTIONS IN IRAN WAS 104 MILLION DOLLARS AS COMPARED WITH LIMITED OFFICIAL USE

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47 MILLION DOLLARS A YEAR EARLIER."

3. BANK OFFICER NOTED, IN PRIVATE CONVERSATION, THAT ABOVE POLICY APPLIES ALIKE TO GOVERNMENTAL AND PRIVATE SECTOR PROJECTS IN IRAN. IN CASE OF PROJECTS IN WHICH THE GOI OR ONE OF ITS AFFILIATED BODIES IS INVOLVED, HOWEVER, BANK MIGHT WELL FEEL THAT OTHER SOURCE FUNDS WOULD BE MORE READILY AVAILABLE. MANY OF RECENT PRELIMINARY COMMITMENTS,

ON THE OTHER HAND, INVOLVE PROJECTS WITH WHICH THE GOI OR ONE OF ITS AFFILIATED BODIES IS ASSOCIATED.

4. THE OVERDUE IRANIAN LEND-LEASE AND SURPLUS PROPERTY DEBT TO THE U.S. HAS NOT YET AFFECTED EXIM'S POLICY ON FINANCING FOR IRANIAN PROJECTS. THE BANK IS MAINTAINING

ITS ABOVE-QUOTED POLICY IN VIEW OF THE CURRENT NEGOTIATIONS ON REPAYMENT OF THE DEBT. THE ISSUE OF THE DEBT HAS BEEN MENTIONED IN THE NAC, HOWEVER, BUT HAS NOT BEEN PURSUED IN VIEW OF OUR PENDING EFFORTS TOWARD ITS COLLECTION. WE APPRECIATE EMBASSY'S HARD-LINE STANCE--REPORTED REFTEL--ON THE ISSUE IN CONVERSATION WITH SHORAKA. ROBINSON

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Margaret P. Grafeld
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